

## EN BANC

[ G.R. No. 103797, August 30, 2000 ]

**PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT,  
PETITIONER, VS. THE HONORABLE SANDIGANBAYAN (THIRD  
DIVISION), AEROCOM INVESTORS AND MANAGERS, INC.,  
POLYGON INVESTORS AND MANAGERS, INC., TRADERS ROYAL  
BANK, HECTOR P. CORPUS, AND SEVERINO P. BUAN, JR.,  
RESPONDENTS.**

### DECISION

**YNARES-SANTIAGO, J.:**

This is a Petition for *Certiorari* with Urgent Prayer for Preliminary Mandatory Injunction, on the ground of grave abuse of discretion amounting to excess of jurisdiction caused by the Sandiganbayan's issuance of three Resolutions dated December 10, 1991, January 27, 1992 and January 29, 1992, in Civil Case No. 0114, entitled "*Philippine Communications Satellite Corporation (PHILCOMSAT) and Philippine Overseas Telecommunications Corporation (POTC), Plaintiffs versus Presidential Commission on Good Government (PCGG), Defendant.*"

The Presidential Commission on Good Government (PCGG), in a letter-order dated March 14, 1986, sequestered the shares of stock in POTC and PHILCOMSAT owned by Jose L. Africa and Roberto S. Benedicto, two of several known close associates of then President Marcos. The letter-order requested Carlos M. Farrales, of New Manila, Quezon City, to do the following:

(S)equester and immediately take over the following establishments, as well as all assets, funds, and records thereof, to wit:

1. PHILIPPINE OVERSEAS COMMUNICATION, INC. (PHILCOMSAT/POTC) including SUBMARINE CABLE NETWORK at Currimao, Ilocos Norte and the PHILIPPINE EARTH STATION at Pinugay, Tanay;
2. EASTERN TELECOMMUNICATIONS, INCORPORATED including TROPOSCATTER SYSTEM at Sto. Tomas, Baguio and MICROWAVE SYSTEM at San Fernando, Pampanga;
3. PHILIPPINE LONG DISTANCE TELEPHONE COMPANY;
4. DOMESTIC SATELLITE at the Domsat Station;

and all other subsidiary organizations emanating therefrom.

In this connection, you are hereby named Officer-in-Charge of all the above-named companies. As such, you are requested to immediately freeze all the withdrawals, transfers, and/or remittances from the funds of the above-enumerated companies under any type of deposit accounts, trust accounts or placements, with the

exception of those which are necessary for maintaining the ordinary course of business.<sup>[1]</sup>

Accordingly, writs of sequestration were issued by the PCGG over POTC and PHILCOMSAT. On March 29, 1991, POTC and PHILCOMSAT filed before the Sandiganbayan Civil Case No. 0114, for *certiorari* and injunction, seeking to nullify the writs of sequestration and to enjoin PCGG and its officers, agents and nominees from interfering with the management and operation of said corporations. Plaintiffs hinged their petition on the argument that since the PCGG had failed to institute the corresponding judicial action required under Article XVIII, Section 26, second paragraph of the 1987 Philippine Constitution,<sup>[2]</sup> the assailed writs of sequestration issued against them had long ceased to be effective.

The PCGG opposed the petition, arguing that the sequestration was in full force and effect, belying the plaintiff-corporations' contention that the PCGG had failed to file the mandated judicial action. On the contrary, the PCGG alleged, there was pending before the Sandiganbayan Civil Case No. 0009, filed on July 22, 1987 – well within the period allowed by the cited constitutional provision. One of the named defendants therein was Jose L. Africa, allegedly a stockholder with controlling interest in POTC and PHILCOMSAT. The plaintiff-corporations, however, were not named party-defendants in Civil Case No. 0009. Nevertheless, the PCGG contended that the filing of the case against Jose L. Africa, despite the fact that the plaintiff-corporations were not impleaded as party-defendants, satisfied the Constitutional provision requiring judicial action against these sequestered corporations.

On August 8, 1991, POTC and PHILCOMSAT filed a motion for summary judgment, submitting for resolution the sole issue of whether or not Civil Case No. 0009 pending before the Sandiganbayan is the judicial action contemplated and required under Section 26, Article XVIII of the 1987 Constitution, considering that said corporations were not impleaded as defendants in the said case.

The Sandiganbayan found for the plaintiffs POTC and PHILCOMSAT, ruling that the PCGG failed to institute any judicial action directly against the plaintiff-corporations. While Jose L. Africa was a stockholder of said corporations, the latter have a legal personality distinct and separate from their stockholders. Thus, a suit against any of their stockholders is not ipso facto a suit against the corporations themselves.

Consequently, the Sandiganbayan issued a Resolution in Civil Case No. 0114, promulgated on December 4, 1991, disposing as follows:

The writs of sequestration over the herein plaintiff-corporations were issued on March 14, 1986 and April 11, 1986, or before the ratification of the Constitution on February 2, 1987. The record does not show, however, that a judicial action has been filed against the plaintiff-corporations from the date of their sequestration up to August 2, 1987 or six months after the ratification of the Constitution. On the other hand, what appears in the record is the Certification of the Acting Clerk of Court of this Court, Atty. Luisabel Alfonso-Cortez, that no case has been filed against the plaintiff-corporations as of August 5, 1991 (Annex "A", Motion). (Underscoring ours)

It is our view, therefore, and We so hold that for the failure of defendant PCGG to file the corresponding judicial action against plaintiff-corporations, PHILCOMSAT and POTC, within the period mandated in Section 26 of Article XVIII of the 1987

Constitution, the writs of sequestration issued against them are deemed automatically lifted.

WHEREFORE, the Motion for Summary Judgment is hereby granted. As prayed for, summary judgment is hereby rendered as follows:

- 1) The sequestration of herein plaintiff-corporations, Philcomsat and POTC, is hereby declared lifted;
- 2) Defendant PCGG, its Commissioners, other officers, employees, agents, representatives, nominees and designees, are hereby ENJOINED from preventing disbursements by the plaintiff-corporations, and from doing any other act that would in any way interfere with, hinder or hamper the management and operation of plaintiff-corporations; and
- 3) Declaring as null and void all acts of sequestration against plaintiff-corporations as of August 2, 1987.

Without pronouncement as to costs.<sup>[3]</sup>

In the meantime, prior to the above-quoted Resolution of the Sandiganbayan, an "Urgent Motion to Intervene" in Civil Case No. 0114 and another "Urgent Motion to Permit Intervenors to Receive their Dividends from the POTC," both dated October 30, 1991, were filed by Aerocom Investors and Managers, Inc. (AEROCOM) and Polygon Investors and Managers, Inc. (POLYGON). Intervenors AEROCOM and POLYGON alleged in their twin motions that they are the registered owners of 1,668 and 963 unencumbered shares of stock in POTC, respectively; that the POTC had declared the distribution of cash dividends of P7,700.00 per share on June 14, 1988 and P14,970.00 per share on October 1, 1989; and that the PCGG refused to countersign the checks issued by POTC covering the dividends in favor of AEROCOM and POLYGON. The intervenors further alleged that this belated objection of the PCGG is patently oppressive, moreso after considering that: (1) the PCGG allowed the intervenors to receive their dividends in the previous years, particularly those distributed on March 4, June 3 and October 9, 1986, as well as on December 3, 1987; and (2) the PCGG had left to the discretion of the Sandiganbayan the matter of payment of the 1989 dividends.

The PCGG opposed the intervenors' Motions stressing that the same should have been filed in Civil Case No. 009 and not in Civil Case No. 0114 since the issues raised in the said motions are the same as those involved in Civil Case No. 009.

On December 10, 1991, the Sandiganbayan issued the first assailed Resolution granting both motions of the intervenors, for the following reasons:

- (1) AEROCOM and POLYGON have an interest in the matter under litigation in Civil Case No. 0114, or in the success of either parties, being the registered owners of 1,668 and 963 shares of stock, respectively, in POTC;
- (2) The writ of sequestration over POTC had already been previously lifted in the Resolution promulgated on December 4, 1991;
- (3) The Motion for Intervention was seasonably filed before the Sandiganbayan rendered judgment in Civil Case No. 0114 by way of the Resolution aforementioned;

(4) The intervenors' shares of stock in POTC were never sequestered, thus they have a right to be paid their respective dividends for the years 1988 and 1989; and the PCGG has no authority to withhold the release thereof; and

(5) Further delay would unduly deprive the intervenors AEROCOM and POLYGON of the dividends they are legally entitled to, and the PCGG's stubborn refusal to have the funds released by the depository bank is unreasonably discriminating against the intervenors.

Consequently, the Sandiganbayan disposed, to wit:

**WHEREFORE**, premises considered, the "Urgent Motion to Intervene" and "Urgent Motion to Permit Intervenors to Receive their Dividends from the Philippine Overseas Telecommunications Corporation" filed by Aerocom Investors and Managers, Inc. and Polygon Investors and Managers, Inc. are hereby GRANTED.

Accordingly, this Court hereby directs the immediate payment to intervenors Aerocom and Polygon of their dividends from the Philippine Overseas Telecommunications Corporation on their 1,668 and 963 POTC shares, respectively. Said payment would cover dividends for the years 1988 and 1989 in the amount of P7,700 and P14,970 per share, respectively, together with the interests due thereon from their due dates up to the dates of actual payment. For this purpose, the Presidential Commission on Good Government (PCGG), its representatives or agents is hereby mandated to immediately lift any restriction on the issuance, release and/or payment to herein movants-intervenors of any and all checks, vouchers, and the like appertaining to the aforesaid cash dividends. Furthermore, PCGG is ordered to report to this Court in writing, compliance with the foregoing directive, within fifteen (15) days from receipt hereof.

SO ORDERED.<sup>[4]</sup>

The PCGG filed a Motion for Reconsideration arguing that the filing of Civil Case No. 0009 seeking, among others, to recover the ill-gotten wealth of the beneficial owners of POTC, AEROCOM and POLYGON was, in effect, faithful compliance with the pertinent constitutional requirement. Although the said corporations were not impleaded as defendants therein, the Sandiganbayan should have allowed the PCGG to pierce the veil of corporate fiction of these corporations and to present evidence to prove that these dummy corporations were machinations by which the named defendants in Civil Case No. 0009, such as Jose L. Africa, acquired their ill-gotten wealth. Furthermore, the PCGG contended that the matter of who is rightfully entitled to the dividends declared by these corporations can only be resolved together with the issues pending before the Sandiganbayan in Civil Case No. 0009. Accordingly, the PCGG had the authority to withhold the release of the disputed dividends until final resolution of Civil Case No. 0009.

For their part, intervenors AEROCOM and POLYGON filed an Ex-Parte Motion for Clarification asking the Sandiganbayan to reaffirm the immediate effectivity of the Resolution dated December 10, 1991 and also to direct the Traders Royal Bank to honor and pay immediately the amounts stated in Check Nos. 382450 and 382451 without need of PCGG approval. The intervenors also moved to strike out PCGG's Motion for Reconsideration on the ground that it was filed out of time and, therefore, was merely pro forma and dilatory.